



EJO HEZA: RWANDA'S LONG-TERM SAVING SCHEME

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Rwanda is a young country. Nearly half of its current population of around 13.2 million are less than 18 years old, while 67 percent of the population is 30 years and below (Census Report, 2023). However, Rwanda's elderly population is growing much faster than the general population. It has increased from 510,000 in 2012 (Census report 2012, projections thematic report) to 863,000 in 2022, or 6.5 percent of the population (Census report 2023) and is expected to reach some 1,100,000 individuals (or around 7 percent of the population) by 2032 due to improvements in life expectancy.

Over the years, the Government of Rwanda has established the necessary legal, regulatory, and institutional framework and ecosystem for increasing financial inclusion. Today, most Rwandan citizens in both urban and rural locations can more easily access financial savings, credit, insurance, and remittance payments through a range of regulated institutions such as banks, SACCOs and mobile money service providers. According to FinScope 2020 survey, 93 percent of Rwandan adults are financially included in terms of both formal and informal financial products compared to 48 percent, 72 percent, and 89 percent in 2008, 2012, and 2016 respectively.

Rwanda has also established a robust and well-functioning digital national ID infrastructure through the National Identification Authority (NIDA) that has enabled direct, targeted delivery of government benefits and services to citizens without the traditional attendant risk of leakages. In parallel, the National Bank of Rwanda (BNR) in its capacity of financial sector institutions' regulator, has been actively encouraging commercial banks to integrate their mobile banking operations with mobile money service providers to further enhance digital financial inclusion for the unbanked. As a result of joint efforts by the Government and BNR, the various critical pieces of the ecosystem infrastructure needed to achieve comprehensive digital financial and pension inclusion now already exist in Rwanda.

One of the objectives of the Government of Rwanda is to achieve universal social security coverage as expressed by the 2009

National Social Security Policy. The role of social security is increasingly being recognized by governments and international financial organizations for its role in poverty alleviation, promotion of social justice, and economic growth. Social security programs can foster social cohesion, help to prevent, and alleviate the effects of poverty and if well-managed, instill trust and faith in governmental intervention. Additionally, social security programs often have significant economic benefits. For example, old-age pension provision, if sufficiently funded, often entails the formation of institutional capital that may be invested in the economy, and by reducing the uncertainty and fear of calamity amongst individuals and households, the provision of social security can result in a more productive workforce.

As is the case in most other nations across Africa and Asia, the traditional reliance of the elderly in Rwanda on children and extended families for income support in old age is being eroded by labor mobility and economic hardship.

As a result, and due to a huge pension and social security coverage gap, most Rwandans are increasingly constrained to rely on their own lifetime savings to sustain themselves in their old age. However, with rapid improvements in life expectancy, most citizens will need to accumulate enough savings while they are young to last them for nearly 20 years after they are too old to work. This may be a significant challenge given that most excluded informal sector workers face modest, irregular incomes and may be able to afford only modest pension savings. By establishing a secure, convenient, and affordable long-term savings program based on individual contributions, and by encouraging mass-scale voluntary thrift and self-help, the Government could effectively mitigate the longevity risk of its citizens.

The Government of Rwanda (GoR) through the Ministry of Finance and Economic Planning (MINECOFIN) with support from Access to Finance Rwanda (AFR) - a not-for-profit market catalyst

organization supporting efforts to improve financial inclusion and financial sector development in Rwanda - commissioned a study to assess the feasibility of an informal sector pension scheme in August 2014 and drafted an implementation paper that was adopted by the Rwandan cabinet in February. In 2017, AFR engaged pinBox Solutions, a global social enterprise committed to digital micro-pension inclusion in Asia, Africa and Latin America, and other pension inclusion experts to support designing and piloting of a long-term savings scheme (LTSS) for Rwanda. This effort culminated in the launch of the LTSS.

In December 2018, the Government formally announced the introduction of Ejo Heza under the new Long-Term Saving Scheme (LTSS) Law. The LTSS (since named “Ejo Heza” which means “a bright tomorrow”) is a fully funded, long-term savings scheme for all Rwandan citizens and is administered by the Rwandan Social Security Board (RSSB).

Today, Ejo Heza provides each Rwandan citizen an equal right and opportunity to accumulate micro-savings for their future in a secure and well-regulated environment. By design, the Ejo Heza leveraged Rwanda’s existing digital financial inclusion infrastructure and ecosystem to provide convenient access to high-quality investment governance, even to citizens with low and irregular incomes, limited experience with formal finance and low financial literacy. Ejo Heza has also built on lessons from two decades’ experience of successful expansion health insurance cover for the informal sector in Rwanda.

The Government expects broad-based coverage of Ejo Heza to reduce potential future budgetary pressures by increasing self-provision, contribute to Rwanda’s economic growth and infrastructure development by increasing aggregate long-term household savings, provide greater depth and liquidity to financial markets, and facilitate labor mobility through fully vested portable pension accounts.

This chapter begins with an overview of Rwanda’s labour markets and the status of financial inclusion in the country. Section two outlines the Ejo Heza scheme rules, features, and benefits, including the structure of the unique, means-tested fiscal incentives package provided by the Government, and a summary view of voluntary coverage growth over time. The last section summaries the factors that have contributed to the success of Ejo Heza, some stories from the ground, and a summary of key identified challenges, to share learnings with other countries looking to implement similarly inclusive digital micro-pension arrangements for their informal sector workers.

1. INITIAL CONDITIONS

1.1. Rwanda’s Labour Markets

As of 2021, Rwanda’s working age population (16 years and older) was 7.71 million, of which some 4.16 million persons (54%) were in the labour force, while 3.5 million were not. For those in the labour force, 3.9 million were employed, while 0.87 million were unemployed (NISR, Labour Force Survey Trends, 2021). The annual unemployment rate stood at 21.1 percent, indicating that for every five persons in the labour force, there was one person without a job. As per the National Institute of Statistics of Rwanda (NISR), the country’s unemployment rate was higher among women (24.1 percent) than among men (18.5 percent) and higher among youth (26.5) than among the older populations (17.1 percent).

There were nearly 3 million persons with informal employment constituting almost 90.4 percent of Rwanda’s overall employment. Rwanda also has 131,529 persons with informal jobs although they are employed in the formal sector (NISR, 2022).

The average monthly income from paid employment of salaried employees was around Rwf 54,073 (~USD 600 a year) while the median monthly income stood at Rwf26,000. The national average hourly cash income from employment of employees at a main job was Rwf412 (USD 40 cents) per hour (NISR, 2022).

1.2. Population Demographic Characteristics

Rwanda's demographic profile is characterised by rapid population growth, a youthful age structure, and a rapidly growing urban population. Urbanisation in Rwanda is driven by people born in urban areas, migration from rural to urban areas, and physical expansion of urban geographical areas. By August 2022, Rwanda's population stood at 13.2 million, up from 10.5 million in 2012 (NISR 2021). Rwanda's population is projected to increase to 15.7 million by 2030, and to 26.8 million by 2070. This rapidly growing population will continually pose significant economic and environmental constraints (NISR, 2017).

Average life expectancy at birth in Rwanda was 69.6 years in 2022, up from 64.5 years in 2012. Importantly, life expectancy at age 60 in Rwanda in 2020 stood at 17.6 years, compared to 14.51 years in 1975, growing at an average annual rate of 2.50 percent (World Data Atlas and NISR 2023). This increase in life expectancy, both at birth and at age 60, is due to improvement of the health status of the population as a result of a wide range of vigorous social and healthcare interventions aimed at reducing the leading causes of death. These interventions include an increase of the number of both healthcare personnel and infrastructure, improvement of public health and hygiene systems, and universal access to health insurance.

1.3. Profile and Status of Financial Inclusion

According to the Rwanda FinScope 2020 Survey, about 93 percent of adult population (6.7 million individuals) in Rwanda are financially included (in both formal and informal financial products and services). Further analysis of formal and informal access to finance since 2016 indicates that the drop in exclusion among Rwandan adults is driven by the uptake of both formal and informal services.

Formal inclusion increased from 42 percent of adults in 2016 to 67 percent in 2020, indicating that around 4.7 million adults now have

at least one formal financial account. The formally served adults were driven by the uptake both of banking products and services and other formal non-bank financial services and products.

About 36 percent, or 2.6 million adults in Rwanda, are banked. This has increased from 1.5 million in 2016. The growth in banking usage is driven by savings and transactional banking products such as online banking, and credit and overdraft facilities. In terms of banking product use, 68 percent of bank clients undertook more than one banking transaction during the month prior to FinScope 2020, compared to 52 percent in 2016.

About 77 percent of the adults in Rwanda (around 5.5 million individuals) also use other formal (non-bank) financial products and services. Growth in the non-bank sector was most significantly driven by the uptake of mobile money services and the growing penetration of Umurenge SACCOs (Sector level Savings and Credit Cooperatives).

In total, about 78 percent, or 5.5 million adults in Rwanda, also use informal finance mechanisms. Informal financial services, therefore, play an important role in extending the overall level of financial inclusion, particularly in rural areas and among women (Source: FinScope Survey, 2020).

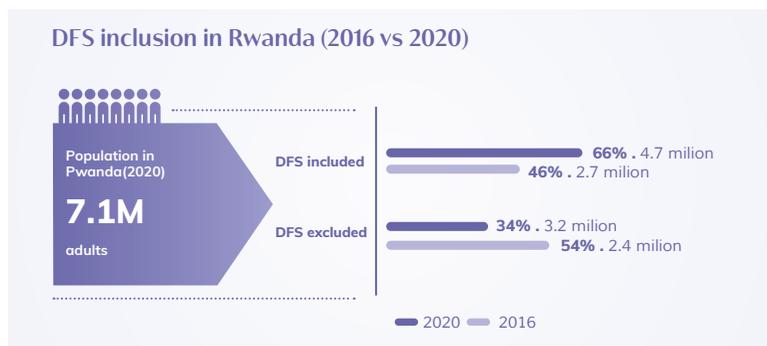
1.4. Digital Financial Inclusion

In 2020, around 66 percent of Rwanda's adult population (4.7 million persons) were digitally included, up from 46 percent in 2016. This increase was mainly driven by mobile money (91 percent) and banks (9 percent). The penetration of mobile money was at 60 percent in 2020, up from 39 percent in 2016. 71 percent of men and 62 percent of women in Rwanda are now digitally included.

The usage of digital financial services has been growing rapidly. By 2020, around 30 percent of Rwandan adults were using digital payments, compared to around 19 percent in 2016. This segment actively now uses their financial transactional accounts and self-

originates these transactions. Digital payments are made via a range of digital channels including online bank transfers, cards (credit /debit / ATM) and mobile money.

The COVID-19 pandemic played a critical role in accelerating the use of digital financial services. The value of e-payments has tripled from pre to post-covid19 (estimated at 113.4 percent of the GDP in the year 2022, up from 36.4 percent in 2019), driven by mobile payments with 79.1 followed by internet banking with 30.8 percent (National Bank of Rwanda, Monetary policy and financial stability statement, March 2023).



Source: Finscope 2020 Digital Financial Services Thematic Report

1.5. The Status of Insurance Inclusion

Formal and informal insurance inclusion in Rwanda has increased between 2016 and 2020¹. Formal insurance inclusion nearly doubled from 9 percent to 17 percent, while reliance on informal insurance increased from 29 percent to 34 percent with some 2.9 million adults accessing informal insurance through Savings Groups. Formal insurance access and usage levels are however still skewed towards urban areas, among those with higher education, those residing in Kigali city, and those from households in the 3rd and 4th Ubudehe² categories. Nevertheless, formal insurance uptake has grown even among lower-income households -- from 2 percent to 9 percent among those in Ubudehe 1 category, and from 6 percent to 10 percent among those in Ubudehe 2 category between 2016 and 2020.

¹ <https://documents1.worldbank.org/curated/en/213521577693532915/pdf/Insurance-that-Works-What-Drives-Insurance-Sector-Development-in-the-Republic-of-Rwanda-and-What-are-the-Opportunities-Ahead.pdf>

² Ubudehe refers Rwandan practice and culture of collective action and mutual support to solve problems within a community. Building on this culture, through a participatory process, all households are grouped into 4 categories (1 to 4) based on poverty level, mainly for targeted social protection services. (<https://rwandapedia.rw/hgs/ubudehe/poverty-level-categories>)

A more disaggregated view from the FinScope 2020 survey reveals that the use of insurance by those in rural locations has also increased from 6 percent in 2016 to 10 percent by 2020. Urban insurance inclusion has grown from 22 percent in 2016 to 26 percent by 2020. Inclusive insurance products developed and introduced in the market between 2016 and 2020 have contributed to the increase in insurance inclusion. As per the FinScope 2020 survey, products such as agriculture insurance and hospital cash were being used by different categories of households.

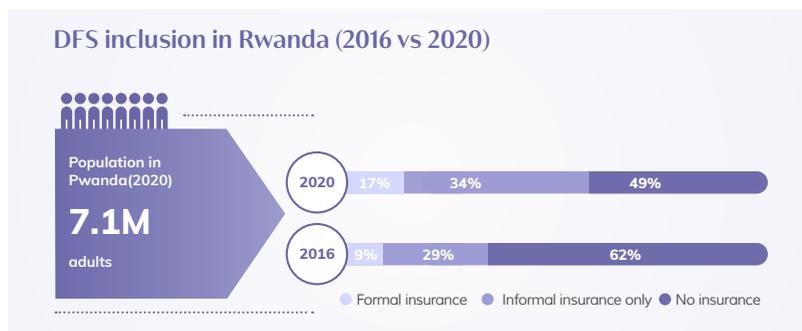
The use of insurance by males has grown from 9 percent in 2016 to 19 percent in 2020, while insurance use by women has risen from 8 percent to 15 percent in the same period. While there was no significant difference between insurance inclusion by gender, slightly more male adults have an insurance policy compared to female adults. As there are more female adults (51.5%) compared to male adults (48.5%) in Rwanda, there was no significant difference between the actual numbers of adults included by gender (Census Report, 2023). In 2020, usage of informal insurance was slightly skewed towards female adults at 42 percent compared to 38 percent for male adults, presumably due to the higher linkages of women with savings groups.

Although 17 percent of Rwandan adults have formal insurance, only one percent indicated that they cope with risks using formal insurance. This could be an indication of a mismatch between products being offered and utilized, and the actual risks confronting the majority of those with insurance. There seems to be strong reliance on social capital and informal mechanisms to cope with some risks – particularly in regions outside Kigali city. Rwandan adults are therefore more likely to rely on personal coping mechanisms, rather than on formal financial service providers to deal with risk events.

Micro, Small and Medium Enterprises (MSME) owners use mainly credit life insurance policies tied to their loans – a mandatory requirement for all microcredit borrowers. This nevertheless provides an opportunity to deliver other insurance products to address the other risks faced by MSMEs.

Compared to many other countries with similar socio-economic characteristics, high awareness levels of insurance among Rwandan householders could be attributable to widespread usage of *Mutuelle de Santé* (Rwanda’s national health insurance scheme). Due to their knowledge of, and experience with *Mutuelle de Santé*, most Rwandan adults know how insurance works.

The main barrier to higher insurance access and utilization highlighted by the FinScope 2020 survey data was affordability. Although affordability is usually linked to the cost of insurance premiums, in Rwanda’s case, it is also linked to income flows. By aligning insurance premiums with the cashflows of households, and permitting digital premium payments, it is feasible to make insurance more affordable and convenient, while simultaneously helping households better cope with risks. As things stand however, insurance is one of the least utilised financial services on digital money platforms.



Source: Finscope 2020 Insurance Thematic Report

2. EJO HEZA LONG-TERM SAVING SCHEME

Formal retirement saving arrangements in Rwanda have traditionally been restricted to the 0.6 million salaried private and public sector workers who form around 14 percent of the overall workforce. The remaining workforce, including those in the agricultural sector, as also workers in small and micro enterprises, daily wage earners, domestic help, street vendors, transport workers, self-employed professionals, small shopkeepers and

other informal sector non-salaried workers more generally were excluded from formal pension arrangements and hence faced a significant risk of outliving their savings. Women in Rwanda are especially vulnerable to old age poverty as they enjoy a higher life expectancy than men, but often face lower incomes in comparable occupations, a shorter working life, and frequent income interruptions on account of childbirth and other family responsibilities. Importantly, according to the national census projections, Rwanda's elderly population (those aged 60 and above) is expected to increase from the current 0.86 million persons to 1.1 million by 2032.

In absence of pension savings, in addition to the extended family support, Government of Rwanda provides to a portion of the elderly without any support with cash transfer and other types of social protection support, including health insurance cover etc. However, the coverage is still low; it was estimated that only 25 percent of the elderly and persons with disabilities covered by Government social protection programs in 2016/17. (Social Protection Sector Strategic Plan 2018/19-2023/24).

A key strategic intervention to bridge Rwanda's large pension coverage gap, as outlined in the country's social security policy was the country's medium-term transformation plan to operationalize a long-term savings scheme to increase domestic savings. Hence, the Government of Rwanda, through the Ministry of Finance and Economic Planning (MINECOFIN), established the "Ejo Heza" Long Term Savings Scheme (LTSS) under Law N° 29/2017 of 29 June 2017. The Government appointed the Rwanda Social Security Board (RSSB) as the administrator for LTSS (subsequently christened "Ejo Heza"). The Rwanda Social Security Boars (RSSB) already had extensive experience in, among other things, administering the retirement benefits for nearly 0.5 million public and private sector salaried workers, together with other 4 social security schemes, including the Community-based health insurance scheme covering more than 80 percent of the informal sector population.

TIMELINES AND STEPS IN DESIGN AND IMPLEMENTATION OF THE EJO HEZA LTSS SCHEME

2015 Diagnostic	2016 – 2017 Scheme Design	2018 – 2021 Gearing up for implementation: Pilot testing	2022 onwards
<p>AFR undertakes a comprehensive micro-pension supply and demand-side feasibility study.</p> <p>Law No 05/2015 governing the organization and regulation of pension schemes in Rwanda passed in March 2015.</p>	<p>pinBox Solutions given a two-year contract to support in designing and piloting the LTSS.</p> <p>Dedicated LTSS Project Management Unit (PMU) set up.</p> <p>Preliminary stakeholder consultations led by MINECOFIN and AFR with key ministries, district leadership, NIDA, RSSB, BNR, banks, community-based organisations, MNOs and DFIs.</p> <p>A national- level demand-side survey among different demographic, income and occupational segments is conducted to inform scheme design.</p> <p>Development of LTSS product features and rules, IT and process architecture, governance and administrative framework and fiscal incentives package in consultation with key stakeholders</p> <p>Design of the commercial incentives model for LTSS intermediaries, consultations with district leadership, and with products, ecosystem and outreach with stakeholders to finalise the roles and responsibilities of implementation partners</p> <p>Presentation of the LTSS product and governance architecture, implementation strategy, product rules and fiscal incentives to the cabinet. LTSS named “Ejo Heza”</p> <p>Rwanda Parliament approves Law No 29/2017 establishing the Long-Term Savings Scheme (LTSS) in June 2017. RSSB appointed as administrator.</p>	<p>MINECOFIN sets up a National Steering Committee to monitor, guide and support Ejo Heza planning and implementation.</p> <p>Ejo Heza financial literacy and training toolkits, field promotions and outreach strategy finalize; FGDs with target beneficiaries to field test IEC tools.</p> <p>MINECOFIN, RSSB appoint BNR regulated entities for Ejo Heza services – custodian bank, digital payment providers, funder manager and insurers.</p> <p>Ejo Heza pilot rolled out in Gasabo District and monitor efforts and outcomes over a three-month period.</p> <p>Fine-tuning of the national implementation plan based on pilot outcomes.</p> <p>The national-level formal launch of the Ejo Heza and continuous monitoring, learning and adaptive implementation.</p>	<p>Ejo Heza policies including the scheme rules, claims procedure manual and anti-fraud policies adopted by RSSB board of Directors.</p> <p>Continuous improvement of Ejo Heza IT system including creation of investment and claim modules.</p> <p>The process of renewal of 3 year Government commitment on incentives was initiated, with expectation to attract more youth in the scheme</p> <p>Memorandum of understanding with Care International to extend coverage of boost savings and Ejo Heza coverage.</p>

2.1. Ejo Heza Benefits, Rules, and Operating Framework

Ejo Heza is a voluntary, defined contribution (DC) scheme that seeks to encourage and enable the following categories of persons to save for their future:

1. Self-employed individuals working in the informal sector;
2. Salaried employees, regardless of their membership with any other social security scheme (including RSSB subscribers);
3. A member, who is no longer actively contributing to a social security scheme to which he/she was affiliated but who receives benefits under the laws regulating that scheme, and who transfers them to a long-term savings account;
4. A child below the age of sixteen (16) years (where the Ejo Heza account is opened and operated by the parent or legal guardian); and
5. Any other category of persons not included in the categories listed above.

Ejo Heza is based on the concept of ‘auto enrollment’ – involving pre-opened, unique individual pension accounts mapped to each citizen’s national ID. A citizen can simply use her national ID to voluntarily ‘activate’ her personal digital pension account using USSD on her mobile phone, without elaborate Know Your Customer (KYC) requirements or cumbersome documentation. This digital, national ID linked, and centrally administered Ejo Heza account will stay with the subscriber for the rest of her/his life, regardless of where she/he lives or works – including spells of unemployment, self-employment, and changes in jobs or location. Subscribers are free to make contributions into their Ejo Heza accounts as per their own unique savings capability and cash-flow with no penalties for missed contributions.

Members of the RSSB Pension Scheme including public and private sector salaried employees can also voluntarily open an Ejo Heza account to save additionally for their old age. As a unique feature, minor children are also permitted to open Ejo Heza accounts which are administered by their parents till the child becomes 16 years old and is issued her own national ID number by the National Identification Agency (NIDA.)

Ejo Heza subscribers are not “tied” to any service provider. They can easily undertake several informational and financial transactions related to their pension accounts on their own using their mobiles. Citizens also have access to Scheme information and services through a large nationwide network of SACCOs, cooperatives, micro-finance institutions, banks, post offices, and mobile money/ bank agent outlets.

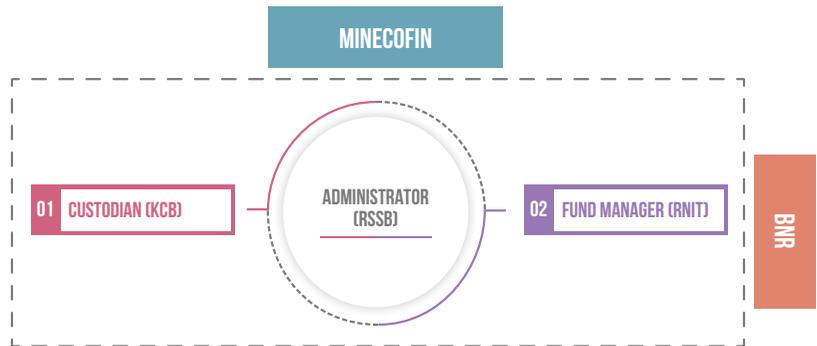
Once an Ejo Heza account is activated, a subscriber can use any regulated payment channel including a mobile wallet to transfer periodic savings directly into her pension account. Collection of periodic pension contributions can be automated through a standing instruction (SI) mandate provided by each individual subscriber on her bank or mobile money wallet at the time of account activation. Subscribers who do not have a bank account or mobile money wallet are able to safely pay their periodic Ejo Heza contributions in cash at conveniently located designated outlets – a process that is akin to payment of utility bills. Contributions to the scheme are indexed to account for inflation and wage increases over time to ensure the real value of pension contributions does not erode over time.

Once an Ejo Heza contribution is made, it cannot be withdrawn till the subscriber attains the age of 55 years except if the subscriber dies or is permanently disabled or is diagnosed with a terminal illness or exits the Republic of Rwanda due to permanent migration. When an Ejo Heza subscriber reaches age 55, a part of the accumulated savings in the person’s Ejo Heza account

would be paid back as a lump sum while the remaining savings would be paid back as an indexed monthly pension to smoothen consumption over 20 years from the first instalment. Once a subscriber achieves a prescribed minimum savings accumulation, he/she is permitted to use a part of his/her savings for children's education or to acquire a home or use as loan security.

2.2. Ejo Heza Governance structure

The Rwanda Social Security Board (RSSB), the administrator of the Scheme, uses a central technology platform to administer and deliver the Scheme. This central pensionTech platform helps RSSB to monitor dormant accounts (inactive contributors) and orphaned accounts (unclaimed benefits) to ensure that subscribers, and their nominees, are not inadvertently denied benefits to which they are legally entitled by reason of administrative oversight or inaction. A web and telephone-based helpline has been established for Ejo Heza. This helpline provides a complaint filing and resolution mechanism that is simple, transparent, time-bound, and efficient from the perspective of both subscribers and intermediaries against whom complaints may be lodged.



The Ministry of Finance and Economic planning (MINECOFIN) plays the policy and oversight role as the line Ministry for the RSSB. Additionally, the Government channels its financial support to cover administrative cost and Government incentives to Ejo Heza LTSS members through the same Ministry.

The Government has also appointed a custodian bank through a competitive process, and the Rwanda National Investment Trust (RNIT) as fund manager.

2.3. What makes Ejo Heza Different from Traditional Plans?

Ejo Heza is Africa's first voluntary, government-sponsored, fully digital scheme available to all the citizens of Rwanda. It is unique, both in its architecture design, planning and implementation. Some of the key features that distinguish the Ejo Heza from existing programs are encapsulated below.

1. **Important differences from traditional pension schemes:**

Any person, including those working in the formal public or private sectors, can voluntarily set up an Ejo Heza account. The traditional pension scheme administered by the RSSB on the other hand is compulsory and is only available to those who are employed in public or private sector enterprises. As opposed to traditional pension schemes where employer as a key aggregator plays a key contribution of aggregator role and an intermediary between members and the scheme, Ejo Heza interacts directly with the individual or uses other informal aggregators such as cooperatives and saving schemes. Ejo Heza is a defined contribution (DC) scheme whereas the RSSB pension scheme is a defined benefit (DB) scheme. Members in Ejo Heza start receiving their monthly pension at 55 years of age whereas members in RSSB start receiving their monthly pension at 65 years or at the early retirement age of 60 years. RSSB contributions are a pre-defined percentage of salary and are deducted and remitted monthly by employers. Ejo Heza is entirely flexible – and subscribers are free to decide how much they want to contribute and are also permitted to make contributions in line with their income flows, on a daily, weekly, monthly, quarterly, or annual basis.

2. **Ejo Heza for minor children:** Children below the age of 16 years are permitted to join the scheme and start accumulating savings from birth. Accounts of minors are linked to the national ID of their parents and are transferred to the minor subscribers once they obtain their own national ID at age 16. Interestingly, over 40,000 of the current 2.4 million Ejo Heza subscribers are minors.

3. **Attractive fiscal incentives package:** Unlike other voluntary pension plans in Africa, Ejo Heza provides subscribers a uniquely designed, limited period fiscal incentives package of co-contributions and free insurance (described ahead).

4. **Leveraging the existing DFS ecosystem for pension inclusion:** Most micro-pension schemes tend to face significant start-up capital costs as they often involve the establishment of new infrastructure. By design, the government sidestepped high upfront capital costs by simply leveraging Rwanda's existing digital finance ecosystem and outreach infrastructure for pension inclusion. Ejo Heza simply used secure APIs to integrate with the digital national ID (for eKYC), digital payments (for easy and secure collection of contributions), and product providers (private sector fund managers and insurers). Also, RSSB uses its considerable existing capacity and experience for administration of the Scheme, and works with a large number of SACCOs, cooperatives, micro-finance institutions, savings groups (VSLAs) and other trusted field partners help deliver financial literacy and cross-sell the program to their members or clients. Hence, for the most part, Ejo Heza works on a variable cost model which in turn helps lower fees and charges levied on subscribers.

5. **Central administration and recordkeeping:** Most micro-pension programs in Africa (and elsewhere) have a decentralized, vertically integrated model where

administration, fund management, sales and distribution of pension schemes is undertaken by individual pension fund administrators (PFAs) who need to invest heavily on building proprietary technology and sales networks. This makes it difficult for individual PFAs to achieve economies of scale and defers the commercial sustainability of small-ticket pension and insurance products. Importantly, pension products offered by different PFAs could also have differing levels of governance and could deliver different outcomes to subscribers. Ejo Heza on the other hand is designed as a centrally administered uniform scheme where a national-level IT platform serves as a shared infrastructure. Sales and distribution is also undertaken by non-tied outreach partners. A shared, central administration pensionTech platform also provides RSSB and other stakeholders real-time data on subscriber and intermediary behavior and compliance, and enables efficient monitoring of efforts and outcomes. Importantly, subscribers across the country face a single, uniform scheme with strong governance, administration by RSSB, and oversight by BNR.

2.4. What drove a successful Ejo Heza design and rollout?

1. **Evidence, consultations, and field-tested solutions:** Prior to a national launch of the Scheme in December 2018, the RSSB field-tested the end-to-end architecture on a limited, “pilot” scale in the Gasabo District. This pilot helped RSSB test and validate the financial literacy and communication tools and strategies, product rules and benefits, the central administration and delivery platform, the API integrations with the NIDA and digital payment gateways, the sales and distribution model involving a range of field partners, and the simple and easy digital account activation process. This pilot was run by the pinBox and Ejo Heza PMU teams and helped identify aspects that needed modifications or improvements.

This pilot therefore helped the MINECOFIN and RSSB to rollout Ejo Heza with more confidence. The Pilot also provided an opportunity to showcase field-level operations and public response to the Scheme to policymakers, regulators, ecosystem stakeholder partners and key implementation partners.

2. **Dedicated “PMU:** At the outset, MINECOFIN and AFR realized that efficient design and effective delivery of the Scheme to millions of informal workers would require cooperative and collaborative actions by a wide range of stakeholders including line ministries and departments, financial institutions, digital finance ecosystem stakeholders, NGOs, outreach partners and development agencies. In early 2017 therefore, AFR engaged pinBox Solutions on a two-year contract to provide expert technical assistance for design and implementation of the LTSS. AFR also supported the establishment of a dedicated Project Management Unit (PMU) under the MINECOFIN. This PMU included a cross-functional team of global experts from pinBox and a national team of domain experts. Over the next 2 years, this joint PMU team worked closely with MINECOFIN and AFR in designing, building, and field-testing the product, process, technology, governance, administration, communications and delivery architecture and framework for the Scheme. The PMU also ensured that all stakeholders were adequately consulted in the process. The PMU conducted periodic focused group discussions (FGDs), surveys and interviews with different demographic, occupational and income groups to confirm acceptance of planned product rules, processes and benefits.
3. **High-level Steering Committee:** To periodically monitor Ejo Heza implementation efforts and outcomes, and to facilitate necessary inter-ministerial coordination and support, the

MINECOFIN established a national level Steering Committee comprising relevant line ministries and departments, and other key stakeholders involved in the planning, design and implementation of the Scheme. This Steering Committee provided valuable guidance and helped align Scheme design and implementation efforts with policy goals.

2.5. The Unique Ejo Heza Fiscal Incentives Model

Globally, governments usually provide tax incentives to encourage voluntary retirement savings. However, tax incentives would not work in Rwanda as most citizens are below the tax threshold by virtue of their incomes. Left to themselves, therefore, many citizens, especially the younger population, may choose to not activate their Ejo Heza accounts as current consumption will appear more attractive to them.

In this situation, and in lieu of tax benefits, the Government decided to provide a uniquely designed, means-tested fiscal incentives package for the first few years of the Scheme to encourage thrift and self-help by excluded workers. This package of fiscal incentives includes a matching contribution of up to RwF18,000 per year per Ejo Heza subscriber, along with a life insurance cover of RWF1,000,000 and an insurance cover for last expenses (funeral insurance) of RwF 250,000. The “match” is determined by the Ubudehe (or income) category of each subscriber. This special fiscal benefits package was expected to motivate early, mass-scale voluntary enrollments (especially by younger workers), top-up pension contributions (especially of the more vulnerable, lower income segments) and encourage persistent retirement savings behavior over time.

By including free life and funeral cost insurance, the Government aimed to also assist in building mass-scale awareness about the role and importance of insurance and help cultivate a mass market for life and non-life insurance products among the hitherto uninsured population.

The income-based (or means-tested) fiscal incentives package was based on the eligibility criteria and benefits outlined below.

1. Subscribers from Ubudehe categories 1 and 2 who contribute RwF 15,000 or more over a 12-month period will receive a 100 percent matching co-contribution by the government subject to a maximum co-contribution of RwF18,000 per year. To be eligible for the full RwF 18,000 co-contribution, workers in Ubudehe categories 1 and 2 workers would simply need to save an identical RwF 18,000 per year.
2. Subscribers from Ubudehe category 3, who enjoy higher incomes than those in categories 1 and 2, and who contribute RwF 18,000 or more over a 12-month period will receive a 50 percent matching co-contribution by the government subject to a maximum co-contribution of RwF18,000 per year. In other words, to be eligible for the full RwF 18,000 co-contribution, Ubudehe 3 workers, would need to contribute at least RwF 36,000 per year.
3. Members from Ubudehe category 4 who contribute RwF 72,000 or more over a 12-month period will be eligible for a special tax benefit and their contributions of RwF 72,000 per year shall be exempt from income tax.

It is interesting to note that all Ejo Heza subscribers, regardless of their income status or age (including children) enjoy an identical value of fiscal benefits of RWF 18,000 per year. Importantly also, the structure of these fiscal incentives is aimed at motivating higher voluntary savings by those in higher income categories.

All Ejo Heza subscribers who become eligible for the government co-contribution (by saving the minimum specified amount linked to their Ubudehe category) become automatically eligible also for a free life insurance cover of RwF 1,000,000 and a funeral or last expense insurance of RwF 250,000 for the following year.

Therefore, if a subscriber unfortunately passes away, these 2 insurance benefits are immediately paid to her nominated beneficiary as a one-time compensation. The annual insurance premium for this benefit is paid by the Government on the behalf of Ejo Heza subscribers. However, only Rwandan citizens with a permanent National ID (aged 16 years and above) issued by NIDA are eligible for the life and funeral insurance benefits. The fiscal incentives are also provided in Table 1 below.

Ubudehe category	Minimum subscriber saving (per year)	Government Co-contribution Match	Government Co-contribution Ceiling	Value of life insurance in the following year	Value of funeral Insurance in the following year
1 and 2	RwF 15,000	100%	Up to RwF 18,000	RwF 1,000,000	RwF 250,000
Category 3	RwF 18,000	50%	Up to RwF 18,000	RwF 1,000,000	RwF 250,000
Category 4	RwF 72,000	NA*	NA*	RwF 1,000,000	RwF 250,000

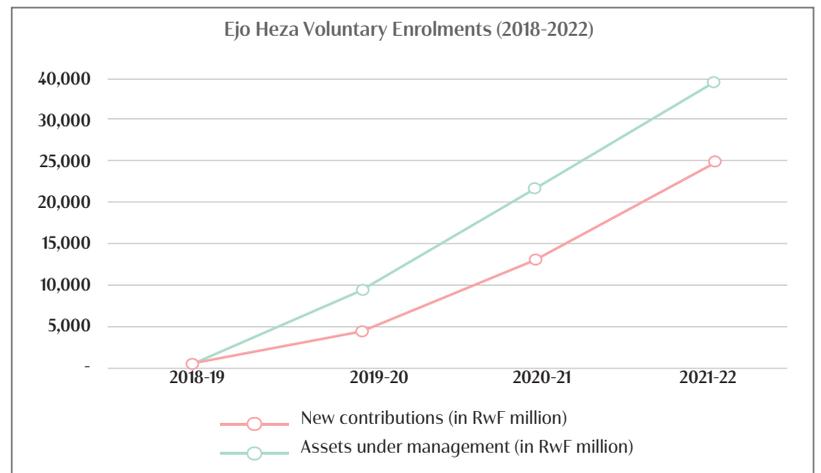
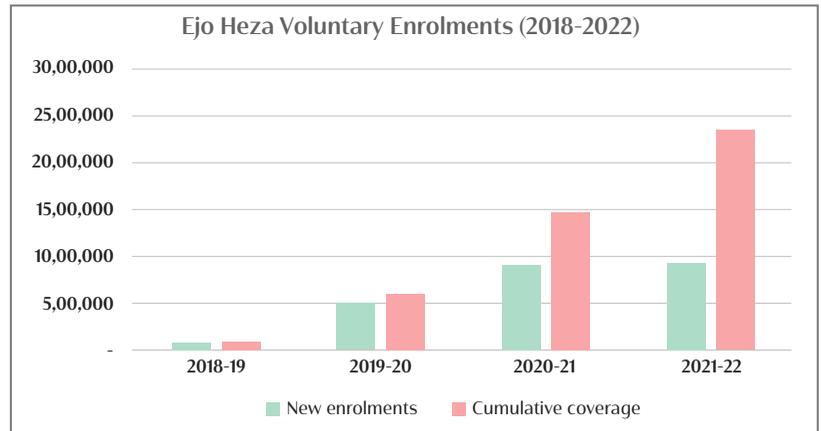
** Tax incentives in lieu of a matching co-contribution for those in Ubudehe Category 4*

3. EJO HEZA ACHIEVEMENTS (2019 TO 2022)

Since inception, the RSSB has paid specific attention to effective communication and innovative mobilization methods to ensure that all Rwandans clearly understand the relevance of saving for their future, and have secure, easy, and convenient access to Ejo Heza.

By end-2019, and within a year of the inception of the scheme, Ejo Heza had 132,336 active members with aggregate savings of RwF 1.3 billion. Within the next 12 months, efforts by the RSSB, and with the support of MINECOFIN, BNR, relevant line ministries and DFIs through AFR caused voluntary enrolments to jump by 955,754 subscribers (50.3 percent of whom were women) who contributed RwF 11.2 billion to the scheme. While new enrolments

were understandably slower during the COVID-19 pandemic, the value of savings by active subscribers rose to RwF 23.2 billion by 2021. As of June 2022, Ejo Heza counted 1.94 million active users (50 percent of whom are women), while the total subscription stood at 2.4 workers – over 90 percent of whom are in the informal sector.



4. SUCCESS FACTORS AND RESIDUAL CHALLENGES

The RSSB has already made tremendous progress in providing easy, universal access to the Ejo Heza and in therefore ensuring that no one is left behind in terms of saving for a dignified

retirement. However, as the 2021 survey by Access to Finance Rwanda (AFR), in collaboration with Zamara Actuaries shows, some challenges remain for achieving more optimum coverage among citizens who are yet to start saving for old age. This study also pinpointed important factors that have contributed to the success of the Scheme, and which will in turn inform next stage interventions aimed at bridging Rwanda’s residual pension coverage gap.

4.1. Factors that have contributed to the success of Ejo Heza

1. **Trust between the government and citizens:** Effective retirement literacy and mobilization initiatives, the high level of trust that citizens have in the government, and sound governance and efficient management of the Scheme has significantly contributed to public confidence, mass-scale voluntary enrollments and continued contributions to the Scheme.
2. **Fiscal incentives and high investment returns:** The innovative and equitable design of the fiscal incentive framework with matching co-contributions and insurance benefits provided by the Government has had a very large impact on both voluntary participation and sustained savings behaviour by informal sector workers. For example, over ninety-eight percent (98.5%) of the subscribers surveyed under the AFR-Zamara assessment felt that the Government’s fiscal incentives package was instrumental in their joining the Scheme and also helped them cultivate the habit of saving for their retirement.
3. **Easy and simple digital interface:** The user-friendly, USSD-based digital interface, the simple and easy process for activating Ejo Heza accounts, and the convenient and secure options for transferring periodic contributions to

the scheme using mobile money, online banking and banks agent networks played a key role in mass-scale voluntary participation and sustained savings. The toll-free helpline was frequently used by citizens and helped the RSSB to receive direct feedback from citizens, improve the quality of services and make appropriate changes to communication efforts and processes. This helpline has provided a critical, direct channel for linking the administrator (RSSB) to both subscribers and target beneficiaries. In the process, it has further increased both transparency and public confidence.

4. **Government’s performance review and management system:** Districts across the country have Ejo Heza indicators in their performance contracts. Relevant government officials therefore actively ensure that targets set for both new enrollments and regular contributions are indeed achieved.
5. **Leveraging community-based organizations:** The RSSB has engaged with a range of community-based organizations including cooperatives, village savings and loans associations (VSLAs) and SACCOs, as well as local leaders at the cell and district level to provide broad-based access to the Scheme. District coordinators appointed by RSSB also play a pivotal role in field level coordination of coverage expansion efforts, as well as in training Ejo Heza mobilizers and community aggregations.
6. **Targeted, multi-pronged awareness and mobilization approach:** Participation by different target segments is being encouraged through a multi-pronged mobilisation approach. Information regarding Ejo Heza is being delivered through village-level community meetings, by trained leaders of community aggregations, radio programmes, and by proximity village-level mobilisers. The Cell level leadership in each district educates citizens about the Scheme through community meetings such as “Umuganda”. Village-level

mobilisers and other stakeholders are selected and trained and help create awareness among individuals, households, and communities in their vicinity. Well-trained grassroots level agencies and individuals play an important role in providing ongoing information and assistance to both subscribers and citizens who wish to activate their Scheme accounts.

4.2. Some Ejo Heza Impact Stories

Gasabo District, Nduba Sector, Gasanze Cell, Nyabitare Village

The Zamuka Cooperative is involved in farming and livestock rearing and is composed of 54 men and 48 women working on rice farming and piggery. All cooperative members have enrolled themselves in the Ejo Heza. Cooperative members explained that they work as a cohesive team and share benefits, and therefore decided unanimously that every member of the cooperative would enrol for Ejo Heza scheme. The Cooperative began by including Ejo Heza on the agenda for each gathering of its members, which led to increased interest and commitment. Zamuka cooperative members also shared information regarding Ejo Heza with their family members. The Cooperative then assisted each member with activating their Scheme accounts and also allocated a part of their group's income towards individual member contributions to the Scheme. Feedback from the Cooperative indicates that regular contributions to Ejo Heza are now a routine practice and that their members are fully committed to continue their contributions. According to a member of the cooperative, he was most excited when he received a message confirming that the Government's co-contribution had been credited into his Ejo Heza account. He has since been sharing his excitement about Ejo Heza being "good and real" with others.

Tuzamurane Cooperative, Gasabo District, Nyamitanga Cell, Jali Sector, Kabuja Village

Tuzamurane Cooperative members in Gasabo District, Jali Sector described the Scheme as a new hope for the poor who are blessed with long life. The cooperative consists of 3 men and 23 women, all of whom are now Ejo Heza subscribers. Members of the cooperative say that while many people without formal employment may be blessed to live long, they live a miserable life in their old age. According to them, the Ejo Heza pension scheme is “a new hope for a comfortable and dignified long life that is free of begging and worry for survival”. According to these members, “Death does not seek consent and does not wait for one to get money for funeral, neither does death care for the dependents. Thus, the provision of RwF 250,000 to cover funeral expenses, and the payment of RwF1,000,000 to the heir if a member dies, is a revival of hope for the whole family”. Members of the cooperative believe that people who have not yet joined Ejo Heza are probably ignorant of its benefits or are only thinking of the present and ignoring the future. They emphasized that it is very important to think of both oneself, and the family as a whole, and that such a careful reflection on the present and the future will result in everyone joining the Ejo Heza scheme. Members recommended that during sensitization, facilitators should help people think of the future of the entire family. During the conclusion of the discussions, one participant declared that “We now have hope of a happy old age”.

Nyagatare District, Tabagwe Sector, Nyabitekeri Cell, Kiyovu Village

A woman in Kiyovu Village who has joined the Ejo Heza pension scheme says she was most happy to learn about Ejo Heza and the benefits it offers. She was the first in her family to join the scheme and has paid her contributions regularly using savings made in

a VSLA. Once she had completed a year of regular savings, she received the Government's contribution of RwF 15,000. When she showed the message of the Government's contribution to her husband, it sparked a lot of interest. In the following two weeks the husband opened an account for himself and for their two children. The whole family is now subscribed to Ejo Heza and is making regular savings. She emphasized that the design and execution of Government incentives was the main reason that convinced the husband about the informal sector pension scheme. The lady also recalled that at the start of the Ejo Heza awareness campaign, she thought the Scheme would conflict with the existing saving groups to which many people had belonged for a long time. After discussions in the VSLA, she and others in her community realized that there was valuable complementarity between the existing saving group initiatives and the Ejo Heza pension scheme. The key point she learnt was that shorter-term savings were very useful for sustaining long-term savings.

Nyagatare District, Rwimiyaga Sector, Gacundezi Cell, Bugaragara Village

A women's group in Nyagatare District expressed high optimism about Ejo Heza. During an FGD, they reported that they received most of the information from a village-level mobiliser trained by Care International. They recounted their experiences with savings, and the benefits they have received from saving groups while paying for health insurance or school fees, buying small livestock, or meeting other household needs. They believed that the new intervention through Ejo Heza, to save money that one cannot easily access, is very useful as it enables a person to take care of their present needs without forgetting the far future. Subscribers among this group believed that before Ejo Heza, there was a gap in long-term retirement savings, and, as a result, most people have only been saving for short-term needs. However, they had missed the opportunity to save for their future, for a time

when their needs may be greater, but when they may not have the strength to fend for themselves. Savers also felt the need to build closer relationships with other formal financial institutions. “Just as the Ejo Heza pension scheme is inclusive, other financial institutions should be equally inclusive, and similarly accessible” they felt. They affirmed their commitment to continue saving with both saving groups for short-term needs, as well as in Ejo Heza – since both savings vehicles would help them fulfill different purposes. While a savings group would continue to be useful for their short-term needs, the benefits from the pension scheme would be very valuable to meet their income needs in old age, they explained.

5. RESIDUAL CHALLENGES AND LEARNINGS FROM EJO HEZA IMPLEMENTATION

The key challenges identified facing the scheme as per the evaluation done in 2022 include.

1. **Low engagement with formal financial institutions:** Formal financial institutions such as banks, insurers and mobile money operators, who already reach out to a large base of citizens, most of whom may not be saving for their old age, are yet to actively begin cross-selling Ejo Heza to their such clients. The RSSB needs to actively engage with such formal financial institutions and encourage them to offer this Scheme through their branches and agents.
2. **Need for greater citizen engagement:** Focus group discussions and interviews with both subscribers, and those who are yet to activate Ejo Heza accounts, indicate that most information regarding the Scheme is already available through community leaders and other local officials. However, there is a need for more direct engagement with citizens and to provide citizens an opportunity to present their thoughts,

share challenges and problems, and make recommendations for consideration by the Government for further improving the Ejo Heza scheme.

3. **Awareness and mobilization gaps:** Although significant promotions and public awareness campaigns have been launched, knowledge about the rules and operational aspects of the Scheme is still modest. Interviews with subscribers undertaken by AFR and Zamara suggest that many subscribers do not yet fully understand how to access account information, and have an inadequate understanding of their own obligations, the roles and responsibilities of different stakeholders involved in scheme implementation and services delivery, and the modalities of accessing insurance benefits and their savings at retirement.
4. **Low, intermittent incomes and fragile labour market attachments:** Other challenges include a low savings culture, and the inherent nature of the informal labour market with low and unstable incomes leading to low savings persistence. Reaching informal sector workers located in urban areas has also been challenging.

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